Yinson Holdings (YNS MK)

1QFY27: EBITDA Hits Targets; Remains Focused On Operations

BUY (Maintained)	
Share Price	RM2.29
Target Price	RM2.75
Upside	+20.0%

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Highlights

- **1QFY27 results in line; ER disclosure justified.** Pending YP's accounts release by end-March, we are confident that core ER performance met our targets (though substantially outperformed consensus). Noting that IFRS-EBITDA may confuse investors for showing declines since 2QFY26, we advise to refer to the consistent uptrend in quarterly ER EBITDA that better reflects the cash flow of its FPSO portfolio transitioning into operating phase. Hence, we conclude that its ER voluntary disclosure - as it hits one-year anniversary – justified its purpose.
- **EBITDA targets deemed to be met, but YNS still underappreciated by markets.** The US-Iran conflict's impact on YNS is neutral. A negative impact we had previously highlighted (delays in potential FPSO awards) was reiterated by management. However, we understand its crude tanker (renamed to Yinson Antares) should be highly utilised on spot charters in 1QFY27. This by itself is not a meaningful share price catalyst, and there is none larger than the value unlocking of its FPSO unit. The underappreciation by the market persists, even though YNS has met its US$1b EBITDA target based on our estimates. Retain BUY and SOTP-based target price of RM2.75 which still assumes a successful privatisation and FPSO IPO scenario.

1QFY27 Group Results, Without YP's ER Accounts (available by end of this month)*

Year to 31 Jan (RMm)	1QFY27	qoq % chg	yoy % chg	Comments, and 1QFY27 vs 1QFY26 comparison
Revenue	1,049	(6.7)	(14.7)	FPSO IFRS EBITDA: RM611m/RM584m (4QFY26: RM675m)
EBIT	523	(11.1)	8.7	FPSO ER EBITDA: RM811m/RM800m (4QFY26: RM916m)
EBIT margin (%)	*49.9%*	*-2.5%*	*10.8%*	FPSO, Core ER EBITDA: RM786m/ RM547m (4QFY26: RM874m)
Finance costs	(358)	(15.0)	2.3	Non-FPSO finance costs: RM54m/RM52m
Associates	51	(67.3)	(20.3)	One-off additional works RM21m for FSO Lac Da Vang (LDV)
Pre-tax profit	216	(33.1)	10.8	Non-FPSO loss before tax: RM68m/ RM101m
Reported profit	120	(47.4)	(45.2)	EBITDA yoy growth, IFRS/ Core ER: +5%/ +44%
Core profit	142	(54.3)	(10.7)	EI: RM7m net forex loss, RM21m JV works, RM6m fair value gain

** Note: Exceptional item (EI); Enterprise Reporting (ER) effective FY25; Yinson Production (YP); Yinson Holdings (YNS); International Financial Reporting Standards (IFRS); The US$/RM rates for 1QFY27 and 4QFY26 were 3.9 and 4.2 respectively Source: YNS, YP, UOB Kay Hian*

Analysis

- **1QFY27 results deemed in line assuming core profit is higher under the ER version.** The quarter's IFRS core profit was RM142m, which appeared to show qoq/yoy declines despite having more operational FPSOs. This is partially impacted by the stronger ringgit. Note that in FY26, Yinson Holdings (YNS) benefitted significantly from early bonus/progress milestone payments for FPSO Agogo, and also one-off mobilisation fees of US$1.8m on FPSO AN (despite being a JV asset with 63.2% stake) incurred in 1QFY26. However, we understand that the ER EBITDA under US dollar-denomination appears to be be showing a consistent growth trend, with 4QFY26/1QFY26 ER EBITDA coming in at US$208m/US$117m respectively.

Key Financials

Year to 31 Jan (RMm)	2024	2025	2026	2027F	2028F
Net turnover	11,646	7,605	5,440	4,295	4,710
EBITDA	1,613	2,052	2,828	3,477	3,568
Operating profit	1,695	1,120	1,270	1,372	1,445
Net profit (rep./act.)	964	752	683	771	874
Net profit (adj.)	623	510	895	771	874
EPS	18.2	14.9	25.4	22.5	25.5
PE	12.7	15.5	9.1	10.2	9.0
P/B	1.4	1.5	1.4	1.3	1.2
EV/EBITDA	13.6	10.5	8.2	8.0	8.4
Dividend yield	1.3	1.3	2.2	2.2	2.2
Net margin	8.3	9.9	21.9	18.0	18.6
Net debt/(cash) to equity	183.0	188.2	232.1	237.1	244.8
Interest cover	1.7	1.2	2.0	2.0	2.1
ROE	16.8	13.2	14.6	12.5	13.5
Consensus net profit	-	-	-	510	579
UOBKH/Consensus (x)	-	-	-	1.51	1.50

** Past financials are based on IFRS FL; core profits excluded FL construction effects Source: Yinson, Bloomberg, UOB Kay Hian*

Stock Data

GICS Sector	Energy
Bloomberg ticker	YNS MK
Shares issued (m)	2,922.4
Market cap (RMm)	6,137.0
Market cap (US$m)	1,551.9
3-mth avg daily t'over (US$m)	2.0

Price Performance (%)

52-week high/low				RM2.53/RM1.7673
1mth	3mth	6mth	1yr	YTD
(8.3)	(12.5)	(13.2)	18.0	(11.0)

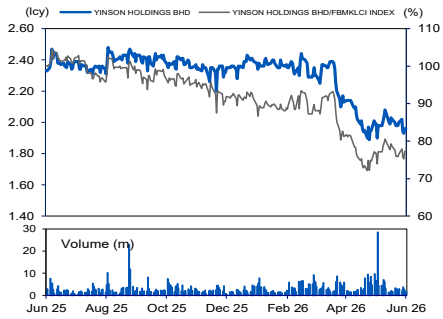
Major Shareholders %

Yinson Legacy	16.6
EPF	17.1

Balance Sheet Metrics

FY27 NAV/Share (RM)	1.80
FY27 Net Debt/Share (RM)	5.64

Price Chart



Source: Bloomberg

Company Description

One of the largest global Floating, Production, Storage and Offloading (FPSO) operators. It has Engineering, Construction, Procurement, Installation and Commissioning (EPCIC) capabilities, and may record EPCIC income under Finance Lease (FL) method, as dictated by the International Financial Accounting Standards (IFRS). It also holds an associate stake in Offshore Support Vessels (OSV) Lately, its FPSO subsidiary Yinson Production (YP), begun adopting Enterprise Reporting (ER), as a complementary disclosure to the statutory IFRS reporting. Under ER, YP adopted operating lease method and applied proportional consolidation based on YP's share in assets.

- **Growth of adjusted ER EBITDA consistent with operating cashflow's.** Excluding a small RM25m progress milestone earned, adjusted ER EBITDA showed a 44% yoy growth. The group's operating cash flow (OCF) shows a more remarkable turnaround of +710% yoy from a RM114m loss to RM637m. This is consistent with YNS's strategy of transitioning from a capex-heavy contract execution EPCIC phase to a full operationalisation of its FPSO assets.

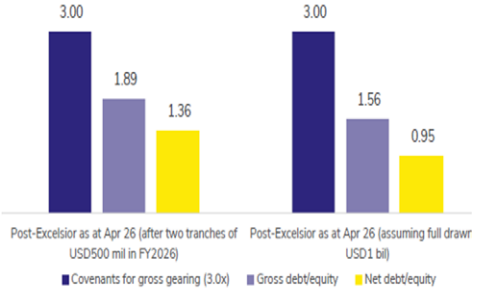
Analysis

- **The importance of RCPS.** YNS' loan stood at US$4.4b (RM17.7b) as of Apr 26, and its project debt has an average tenure of 12 years. Although its debt headroom has always been an investor concern, YNS consistently proved everyone wrong with its impeccable contract execution and has accumulated 18 years of average revenue backlog. With the first two tranches of the US$0.5b Redeemable Convertible Preference Shares (RCPS) issued, its net gearing now reflects a more healthy 1.36x. Should the remaining US$0.5b RCPS be issued, net gearing may further pare down to >1x. The RCPS is treated as equity given that there is no legal obligation for YNS to pay the distribution.
- **Non-recourse loan mix is 76% effective 29 May 26.** Including YNS' 63.2% share of the loan of JV FPSO AN, the enlarged loanbook for the group is estimated at US$5.1b, of which 43% is USS$0.6b in corporate debts (for Mt Cass wind project and Majes solar project) and recourse project loans amounting to US$1.5b for FPSO Agogo and the Matarani solar project. This does not include the US$132m FSO Block B financing recently secured. A positive development is the FPSO Agogo's loan, which turned non-recourse on 29 May 26, and suggests that the final document – a certificate of project completion (CPC) – has been formally awarded.
- **FY27 ER EBITDA may match FY26's reported EBITDA.** As mentioned earlier, YNS' FY26 ER EBITDA was reported at US$963m (RM4.65b). However, the adjusted EBITDA number was lower at US$640m (RM2.83b), after excluding US$170m in non-recurring progress milestone and early bonus payments for FPSO Agogo and US$153m of the Brava loan buy-out (related to FPSO Atlanta). We were guided that FY27 ER EBITDA could match (but unlikely to exceed) FY26's reported figure, mainly due to a full-year contribution from Agogo. The Very Large Crude Carrier (VLCC) YP Antares' spot earnings is immaterial to valuation. We understand that the VLCC was working on spot charters with peak time charter equivalent (TCE) rates reaching as high as US$120,000.
- **Tangkulo was the highest in YP's opportunity list,** just as YNS maintains its guidance for about one FPSO replenishment p.a., although the reality may work against their favour. Unlike the other sole bidder which is Bumi Armada (HOLD/ Target: RM0.31), YNS' disadvantage is its lack of market presence and track record in the Indonesia floater market. Upstream revealed, citing its sources, that Bumi Armada had submitted the lower offer, but YNS's technical offering was more superior. Having a ready tanker for conversion will be useful in meeting eet Mubadala's ambitious delivery timeline of first gas in 2028.

Valuation/Recommendation

- **Maintain BUY, with SOTP-based target price of RM2.75.** Our SOTP valuation, which implies 12x FY27F PE, retains the following key operational assumptions: a) 10% discount on the Brazil FPSOs (especially FPSO MQ or PDB), and b) a potential 15% stake divestment of FPSO Agogo. The Agogo loan is expected to become non-recourse very soon, thereafter only a divestment can happen to recycle capital, if any.
- **No changes to forecasts, pending ER disclosure.** Our forecasts are based on Yinson's ER format (an alternative earnings account reflecting all FPSOs are on operating lease); hence, we prefer to wait for YP's disclosure by 1 July.

Gearing Ratios



Source: YNS

SOTP target price (at 4.00 US$/RM)

FY26F	Valuation	RM
FPSO Adoon	DCF (Blended IRR 12%)	0.07
FPSO JAK, firm only	DCF (IRR 14%, 74% stake)	0.71
FPO Helang, firm	DCF, US$280m capex + US$50m residual value	0.67
FPSO Abigail-Joseph (AJ)	DCF (IRR 25%)	0.35
MOPU	11x PE	0.02
Lam Son	redeployment	0.14
FPSOs Anna Nery and PDB	DCF (IRR 17%, both assume 63-85% stake), apply 10% discount	2.37
FPSO Agogo	DCF (IRR 20%, 85% stake from 100%)	1.50
Atlanta, and new FPSOs	Include chance of more contract wins	0.64
(-) Minus net debt	Include all perpetuals	(3.77)
SOTP (diluted)	RM3.4b shares	2.75
Implied FY27F PE	-	12.2x
Implied FY28F PE	-	10.8x

Source: UOB Kay Hian

Environmental, Social, Governance (ESG) Updates

Environmental

- **Advanced in carbon (CO2) reduction.** Outlined climate goals roadmap to reach carbon-neutrality and net-zero carbon by 2030
- **Advanced in non-O&G diversification**. Targets 5GW of operating portfolios of Renewable Energy (RE) capacities by 2035
- **Safety (HSE).** Lost Time Injury (LTI) Frequency of 0.13 in FY25 (FY24: 0.05), superior to industry benchmark of 0.24-0.28

Social

- Ranked top for active stakeholder engagements with bankers/clients/ investors

Governance

- Most advanced in self-monitoring and reporting of its environmental contribution
- 50% of its board members are independent despite having family representation

Source: Yinson, UOB Kay Hian

Profit & Loss

Year to 31 Jan (RMm)	2025	2026	2027F	2028F
Net turnover	7,605	5,440	4,295	4,710
EBITDA	2,052	2,828	3,477	3,568
Deprec. & amort.	377	377	445	482
EBIT	1,120	1,270	1,372	1,445
Total other non-operating income	-	0	0	0
Associate contributions	377	328	445	482
Net interest income/(expense)	(1,736)	(1,769)	(1,741)	(1,740)
Pre-tax profit	1,120	1,029	1,372	1,445
Tax	(167)	(276)	(218)	(244)
Minorities	(201)	(70)	(383)	(326)
Net profit	510	895	771	874

Balance Sheet

Year to 31 Jan (RMm)	2025	2026	2027F	2028F
Fixed assets	4,421	8,777	9,590	10,368
Other LT assets	16,054	16,654	21,754	23,854
Cash/ST investment	2,679	2,074	2,684	658
Other current assets	419	419	419	419
Total assets	25,501	29,406	35,925	36,792
ST debt	1,247	1,818	2,416	2,914
Other current liabilities	1,425	1,224	4,374	4,747
LT debt	14,807	18,049	19,549	19,039
Other LT liabilities	523	211	284	298
Shareholders' equity	7,387	8,034	8,651	9,348
Minority interest	282	366	519	650
Total equity and liabilities	25,501	29,406	35,925	36,792

Cash Flow

Year to 31 Jan (RMm)	2025	2026	2027F	2028F
Operating	(3,016)	(2,138)	729	784
Pre-tax profit	1,120	1,270	1,372	1,445
Tax	(332)	(189)	(218)	(244)
Deprec. & amort.	377	435	445	482
Associates	21	(83)	(82)	(99)
Working capital changes	(5,116)	(3,570)	(789)	(799)
Other operating cashflows				
Investing	(486)	(782)	(500)	(500)
Capex (growth)	(560)	(782)	(500)	(500)
Investments	(41)	0	0	0
Others	115	0	0	0
Financing	3,336	2,315	383	(2,311)
Dividend payments	139	171	171	171
Issue of shares	920	0	0	0
Proceeds from borrowings	5,054	1,042	4,100	2,270
Loan repayment	(1,381)	0	4,500	0
Others/interest paid	(1,118)	1,444	155	139
Net cash inflow (outflow)	(166)	(605)	611	(2027)
Beginning cash & cash equivalent	3,063	2,679	2,074	2,684
Changes due to forex impact	(218)	0	0	0
Ending cash & cash equivalent	2679	2074	2684	658

Key Metrics

Year to 31 Jan (%)	2025	2026	2027F	2028F
Profitability				
EBITDA margin	27.0	80.9	80.7	75.4
Pre-tax margin	14.7	32.7	34.2	33.6
Net margin	9.9	21.7	20.4	21.1
ROA	3.7	3.4	3.7	4.1
ROE	13.2	12.7	15.1	16.3
Growth				
Turnover	110.8	(4.4)	27.6	41.6
EBITDA	101.0	173.4	263.7	277.4
Pre-tax profit	56.4	57.5	119.9	139.6
Net profit	87.5	86.8	133.8	168.8
Net profit (adj.)	26.6	85.8	132.7	167.5
EPS	26.6	85.8	132.7	167.5
Leverage				
Debt to total capital	217.3	251.1	252.5	228.5
Debt to equity	226.0	263.3	268.6	245.3
Net debt/(cash) to equity	188.2	237.3	237.1	237.6
Interest cover (x)	1.2	2.0	2.0	2.1

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